

Message Text

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PAGE 01 KUWAIT 01878 010842Z

15

ACTION NEA-09

INFO OCT-01 AF-06 ISO-00 AID-05 CIAE-00 EB-07 FRB-01

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FM AMEMASSY KUWAIT

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INFO AMEMBASSY ABIDJAN

AMEMBASSY ABU DHABI

AMEMBASSY ADDIS ABABA

AMEMBASSY BAMAKO

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY CONAKRY

AMEMBASSY DAKAR

AMEMBASSY DAR ES SALAAM

AMEMBASSY JIDDS

AMEMBASSY KHARTOUM

AMEMBASSY MANAMA

AMEMBASSY MOGADISCIO

AMEMBASSY NAIROBI

AMEMBASSY NDJAMENA

AMEMBASSY NIAMEY

AMEMBASSY NOUAKCHOTT

AMEMBASSY OUAGADOUGOU

AMEMBASSY TEHRAN

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DEPT PASS OTHER POSTS AS DESIRED

DEPT PASS TREASURY, EXIM, OPIC

FOR COMMERCIAL OFFICERS

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PAGE 02 KUWAIT 01878 010842Z

E.O. 11652: N/A

TAGS:BEXP, EINV, KU, XA
SUBJECT: KUWAITI INVESTMENT IN AFRICA

REF: (A) KUWAIT 1132 (NOTAL) (B) KUWAIT 1656 (NOTAL)

1. KUWAITI INSTITUTIONS ARE GRADUALLY EXTENDING THEIR ACTIVITIES INTO AFRICA. REFTELS DESCRIBED TO SOME EXTENT KUWAITI INVESTMENT (REF A) AND AID (REF B), AND THIS CABLE PROVIDES ADDITIONAL INFORMATION WHICH HOPEFULLY WILL BE OF USE TO COMMERCIAL OFFICERS WHO ARE EXPLORING WAYS TO INCREASE TRILATERAL ACTIVITY IN AFRICA FOR THE BENEFIT OF US FIRMS.

2. THREE KUWAITI FINANCIAL INSTITUTIONS ARE ACTIVE IN AFRICA. KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT (KFAED) IS DEVELOPMENT AID AGENCY WHICH OFTEN WORKS IN COOPERATION WITH IBRD, IDA OR NATIONAL DEVELOPMENT AID AGENCIES. IT MAKES LOANS FOR INFRASTRUCTURE PROJECTS. IT DOES NOT RPT NOT MAKE INVESTMENTS IN LDCS. SECOND INSTITUTION IS KUWAIT FOREIGN TRADING, CONTRACTING AND INVESTMENT COMPANY (KFTCIC) WHICH 80 PERCENT OWNED BY GOK. IT TENDS TO OPERATE THROUGH SUBSIDIARIES WHICH OWNED JOINTLY WITH LOCAL INTERESTS. SUBSIDIARIES EXIST IN SENEGAL, MAURATANIA, EGYPT AND SUDAN, AND ONE MAY BE ESTABLISHED SOON IN MALI. KFTCIC WILL PLAY LEADING ROLE IN MAJOR KUWAITI INVESTMENTS IN AFRICAN MINING VENTURES IN GUINEA AND MAURATANIA.

3. ANOTHER KFTCIC SUBSIDIARY, AFRO-ARAB INTERNATIONAL INVESTMENT AND TRADING COMPANY (AFARCO) OPERATES THROUGHOUT AFRICA. AFARCO DEALS IN BULK COMMODITIES SUCH AS SUGAR, WHEAT, MAIZE, IRON BARS AND CEMENT. IT ALSO MAKES INVESTMENTS AND PRESENTLY, IT OWNS INTEREST IN BUILDING IN MAURATANIA, WIRE FACTORY IN SENEGAL AND TANNERY IN UGANDA. IN GENERAL AFARCO WANTS ONLY MINORITY SHARE, AND IT WILL NOT INVEST MORE THAN \$10 MILLION IN ANY SINGLE INVESTMENT.

4. WE HAVE BEEN TOLD BY OFFICIALS AT KFTCIC AND AFARCO THAT THEY WOULD VERY MUCH LIKE TO GO INTO AFRICAN COUNTRIES WITH US OR OTHER WESTERN PARTNERS. THEY WILL WANT APPROVAL IN ADVANCE BY GOVERNMENT OF COUNTRY WHERE INVESTMENT IS TO OCCUR. THUS, EVEN IF PRIVATE SECTOR WISHES TO ATTRACT KUWAITI INVESTMENT, KUWAITIS UNLIKELY TO COME FORWARD UNLESS
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PAGE 03 KUWAIT 01878 010842Z

LOCAL GOVERNMENT GIVES CLEAR GREEN LIGHT.

5. IN ADDITION, KUWAITI INSTITUTIONS WILL WANT REASONABLY COMMERCIALY ATTRACTIVE INVESTMENT. KUWAITIS NOT INTERESTED IN PICKING-UP SOMEONE ELSE'S LEFTOVERS. ONE PROBLEM FACING BOTH KFTCIC AND AFARCO IS LIMITED STAFF AND OVERABUNDANCE OF APPARENTLY GOOD PROPOSALS. NET RESULT IS HIGH DEGREE OF DISCRIMINATION BY THESE COMPANIES IN SELECTING PROJECTS. NEVER-

THELESS, KUWAITIS QUITE INTERESTED IN INVESTING IN AFRICA INCLUDING
IN COUNTRIES WHERE THEY ARE NOT YET ACTIVE.

6. IN ADVISING US BUSINESSMEN INTERESTED IN DOING BUSINESS
IN AFRICA, WE SUGGEST THAT POSSIBILITY OF KUWAITI FINANCING
BE KEPT IN MIND. RECOMMEND THAT US BUSINESSMEN WORK OUT
TRULY VIABLE PROJECT WITH AFRICAN PARTNERS AND GAIN LOCAL
GOVERNMENT APPROVAL. ONCE THAT IS DONE, THEY CAN CONSIDER
APPROACHING KUWAITIS, AND IF HOME WORK IS DONE WELL AND PROJECT
COMMERICALLY ATTRACTIVE AND IF LOCAL AFRICAN GOVERNMENT SHOWS
REAL INTEREST IN PROJECT, REASONABLE PROSPECT OF FAVORABLE
KUWAITI REACTION EXISTS.
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